

**CITY OF HEALDSBURG  
COMMUNITY HOUSING COMMITTEE  
SPECIAL MEETING AGENDA**

City Council Chambers  
401 Grove Street, Healdsburg, CA 95448  
Phone: 431-3317

Date: June 27, 2016  
Time: 6:00 P.M.  
Date Posted: June 24, 2016

1. Call Meeting to Order
2. Roll Call
3. Approval of June 27, 2016 Agenda
4. Approval of June 13, 2016 Meeting Minutes
5. **PUBLIC COMMENTS ON NON-AGENDA MATTERS**

Public comments may be made on the matters described in the Special Meeting Notice (Government Code Section 54954.3)

6. **OLD BUSINESS**

- a. Receive a presentation from SteffenTuroff, Walker Parking Consultants, on the City's Parking Study currently underway
- b. Update on Council actions from June 20<sup>th</sup> City Council meeting
- c. Review and discuss Housing Action Plan (HAP) Section 4: Financing and Appendix: Amendment & Review Process

7. **NEW BUSINESS**

8. **DISCUSSION REGARDING CORRESPONDENCE FROM COMMITTEE MEMBERS**

9. **ADJOURNMENT**

**SB 343 - DOCUMENTS RELATED TO OPEN SESSION AGENDAS:** *Any writings or documents provided to a majority of the Community Housing Committee regarding any item on this agenda after the posting of this agenda and not otherwise exempt from disclosure, will be made available for public review in the City Clerk's Office located at City Hall, 401 Grove Street, Healdsburg, during normal business hours. If supplemental materials are made available to the members of the Community Housing Committee at the meeting, a copy will be available for public review at the City Hall Council Chamber, 401 Grove Street, Healdsburg, CA 95448. **These writings will be made available in** appropriate alternative formats upon request by a person with a disability, as required by the Americans with Disabilities Act.*

**DISABLED ACCOMMODATIONS:** *The City of Healdsburg will make reasonable accommodations for persons having special needs due to disabilities. Please contact Maria Curiel, City Clerk, at Healdsburg City Hall, 401 Grove Street, Healdsburg, California, 431-3317, at least 72 hours prior to the meeting, to ensure the necessary accommodations are made.*



**Community Housing Committee  
Regular Meeting Minutes  
June 13, 2016  
6:00 pm**

Present Committee Members: Abramson, Chambers, Civian, Madarus, Whisney and Chairperson Worden

Absent Committee Members: Vice Chair Burg, Lickey, and Mansell

**CALLED TO ORDER**

Chairperson Worden called to order the regular meeting of the Community Housing Committee of the City of Healdsburg at **6:05:20 p.m.**

**APPROVAL OF AGENDA**

The order of the agenda was revised to consider Item 6B, review and vote on the Housing Action Plan Community Indicators, before item 6A, review and vote on Housing Action Plan Key Performance Indicators.

Committee Member Chambers made a motion, seconded by Committee Member Civian, to approve the June 13, 2016 regular meeting agenda as revised. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey, and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey and Mansell)

**APPROVAL OF MINUTES**

Committee Member Whisney abstained from voting on the June 8, 2016 special meeting minutes.

Committee Member Chambers, seconded by Committee Member Civian, made a motion to approve the June 8, 2016 special meeting minutes as submitted. The motion carried on a voice vote with Committee Members Burg, Lickey, and Mansell noted as absent. (Ayes 5, Noes 0, Absent – Burg, Lickey and Mansell, Abstaining – Whisney)

**PUBLIC COMMENT**

None.

**HOUSING ACTION PLAN COMMUNITY INDICATORS**

Community Housing and Development Director Massey gave a presentation on the Community Indicators to be included in the Housing Action Plan including how the indicators were arrived at, and how the indicators measure the success of the Housing Action Plan. Chair Worden introduced the Community Indicators individually for discussion and vote.



**Community Housing Committee  
Regular Meeting Minutes  
June 13, 2016  
Page 2**

Discussion ensued among the Committee about Indicator number one, “Decrease in the community’s median age”. The Committee discussed how the indicator is written, how the data overall will be measured and suggested stating the Indicator as a positive rather than a negative. After discussion, Committee Member Madarus, Seconded by Committee Member Chambers, made a motion to revise Community Indicator number one to read “Increase the percentage of younger people in the community.” The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

Chair Worden opened up the discussion on Community Indicator number two, “Increase in percentage of deed restricted affordable house as a % of total housing stock.” Discussion ensued among the Committee about how the Indicator will be quantified. On a motion by Committee Member Abramson, Seconded by Committee Member Whisney approved Community Indicator number two as written. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

Chair Worden introduced Community Indicator number three, “Increase in percentage of non-single family residential unit types.” On a motion by Committee Member Chambers, Seconded by Committee Member Whisney approved Community Indicator number three as written. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

Chair Worden introduced Community Indicator number four, “Increase in ratio of people who live and work in town.” On a motion by Committee Member Civian, Seconded by Committee Member Chambers approved Community Indicator number four as written. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

Chair Worden introduced Community Indicator number five, “Increase in school populations.” Discussion ensued among the Committee about including both public and private schools in the population count, where the data came from, and revising how Indicator number five is written.

David Hagele- Opined Community Indicator number five should include both public and private school populations.

After further discussion, on a motion by Committee Member Whisney, Seconded by Committee Member Chambers, to revise Community Indicator number five to say “Increase in public and private school populations K-12. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)



### **HOUSING ACTION PLAN KEY PERFORMANCE INDICATORS**

Director Massey gave an overview presentation of the Key Performance Indicators that will be used to measure the performance for implementing the Recommendations. She explained the Key Performance Indicators for the Priority Recommendations are fairly similar, and the Key Performance Indicators relating to the Supporting Recommendations vary in description.

On a motion by Committee Member Civian, Seconded by Committee Member Chambers; the Committee approved the Key Performance Indicators tied to the Priority Recommendations. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

Chair Worden introduced the Key Performance Indicators tied to the Supporting Recommendations. Discussion ensued among the Committee about local preference clause, the tools that will be used to prioritize local buyer, mixed income levels, how the number of market rate units was decided, the condition of approval clause, and who the local preference clause applies too. Discussion further ensued about the incentives that will be used to encourage alternate product types. On a motion by Committee Member Civian, Seconded by Committee Member Chambers, the Committee approved the Key Performance Indicators relating to the Supporting Recommendations as presented. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

### **HOUSING ACTION PLAN SECTION 3: OBJECTIVES & SUPPORTING RECOMMENDATIONS**

Director Massey introduced the Housing Action Plan Section 3: Objectives & Supporting Recommendations for a vote. On a motion by Committee Member Whisney, Seconded by Committee Member Chambers, the Committee approved the Housing Action Plan Section 3: Objectives & Supporting Recommendations as submitted. The motion carried on a unanimous voice vote with Committee Members Burg, Lickey and Mansell noted as absent. (Ayes 6, Noes 0, Absent – Burg, Lickey, and Mansell, Abstaining – none)

### **NEW BUSINESS**

None.

### **DISCUSSION REGARDING CORRESPONDENCE FROM COMMITTEE MEMBERS**

None.



**ADJOURNMENT**

There being no other Community Housing Committee business to discuss the meeting was adjourned at approximately **7:14 p.m.**

APPROVED:

ATTEST:

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Jon Worden, Chair

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Karen Massey, Community Housing &  
Development Director

# Cutting the Cost of Parking Requirements

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DONALD SHOUP

*A city can be friendly to people or it can be friendly to cars, but it can't be both.*

Enrique Peñalosa

**A**t the dawn of the automobile age, suppose Henry Ford and John D. Rockefeller had hired you to devise policies to increase the demand for cars and gasoline. What planning regulations would make a car the obvious choice for most travel? First, segregate land uses (housing here, jobs there, shopping somewhere else) to increase travel demand. Second, limit density at every site to spread the city, further increasing travel demand. Third, require ample off-street parking everywhere, making cars the default way to travel.

American cities have unwisely embraced each of these car-friendly policies, luring people into cars for 87 percent of their daily trips. Zoning ordinances that segregate land uses, limit density, and require lots of parking create drivable cities but prevent walkable neighborhoods. Urban historians often say that cars have changed cities, but planning policies have also changed cities to favor cars over other forms of transportation.

Minimum parking requirements create especially severe problems. In *The High Cost of Free Parking*, I argued that parking requirements subsidize cars, increase traffic congestion and carbon emissions, pollute the air and water, encourage sprawl, raise housing costs, degrade urban design, reduce walkability, damage the economy, and exclude poor people. To my knowledge, no city planner has argued that parking requirements do *not* have these harmful effects. Instead, a flood of recent research has shown they *do* have these effects. We are poisoning our cities with too much parking.

Minimum parking requirements are almost an established religion in the planning profession. One shouldn't criticize anyone else's religion but, when it comes to parking requirements, I'm a protestant and I think the profession needs a reformation.

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*Donald Shoup is Editor of ACCESS and Distinguished Research Professor of Urban Planning in UCLA's Luskin School of Public Affairs (shoup@ucla.edu).*

## THE HIGH COST OF MINIMUM PARKING REQUIREMENTS

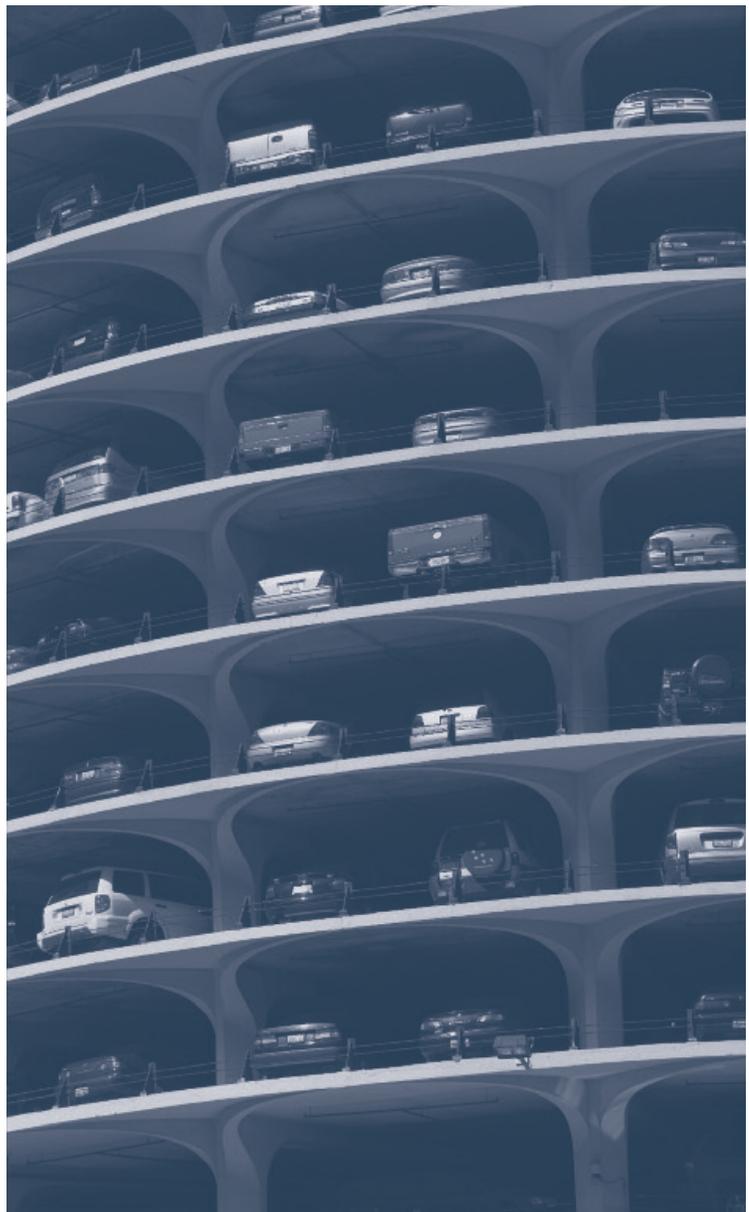
Planners are placed in a difficult position when asked to set parking requirements in zoning ordinances because they don't know the demand for parking at every art gallery, bowling alley, dance hall, fitness club, hardware store, movie theater, night club, pet store, tavern, zoo, and hundreds of other land uses. Planners also do not know how much parking spaces cost or how the parking requirements affect everything else in the city. Nevertheless, planners must set the parking requirements for every land use and have adopted a veneer of professional language to justify the practice. Planning for parking is an ad-hoc talent learned on the job and is more a political activity than a professional skill. Despite a lack of both theory and data, planners have managed to set parking requirements for hundreds of land uses in thousands of cities—the ten thousand commandments for off-street parking.

Without knowing how much the required parking spaces cost to build, planners cannot know how much parking requirements increase the cost of housing. Small, spartan apartments cost much less to build than large, luxury apartments, but their parking spaces cost the same. Many cities require the same number of spaces for all apartments regardless of their size; the cost of the required parking thus greatly increases the price of low-income housing.

Parking requirements reduce the cost of owning a car but raise the cost of everything else. Recently, I estimated that the parking spaces required for shopping centers in Los Angeles increase the cost of building a shopping center by 67 percent if the parking is in an aboveground structure and by 93 percent if the parking is underground.

Developers would provide some parking even if cities did not require it, but parking requirements would be superfluous if they did not increase the parking supply. This increased cost is then passed on to all shoppers. For example, parking requirements raise the price of food at a grocery store for everyone, regardless of how they travel. People who are too poor to own a car pay more for their groceries to ensure that richer people can park free when they drive to the store.

Minimum parking requirements resemble what engineers call a *kludge*: an awkward but temporarily effective solution to a problem, with lots of moving parts that are clumsy, inefficient, redundant, hard to understand, and expensive to maintain. Instead of reasoning about parking requirements, planners must rationalize them. Parking requirements result from complex political and economic forces, but city planners enable these requirements and sometimes even oppose efforts to reform them. Ultimately, the public bears the high cost of this pseudoscience. ➤



A single parking space can cost far more to build than the net worth of many American households.

**THE MEDIAN IS THE MESSAGE**

Cities require parking for every building without considering how the required spaces place a heavy burden on poor people. A single parking space, however, can cost far more to build than the net worth of many American households.

In recent research, I estimated that the average construction cost (excluding land cost) for parking structures in 12 American cities in 2012 was \$24,000 per space for aboveground parking, and \$34,000 per space for underground parking (Table 1).

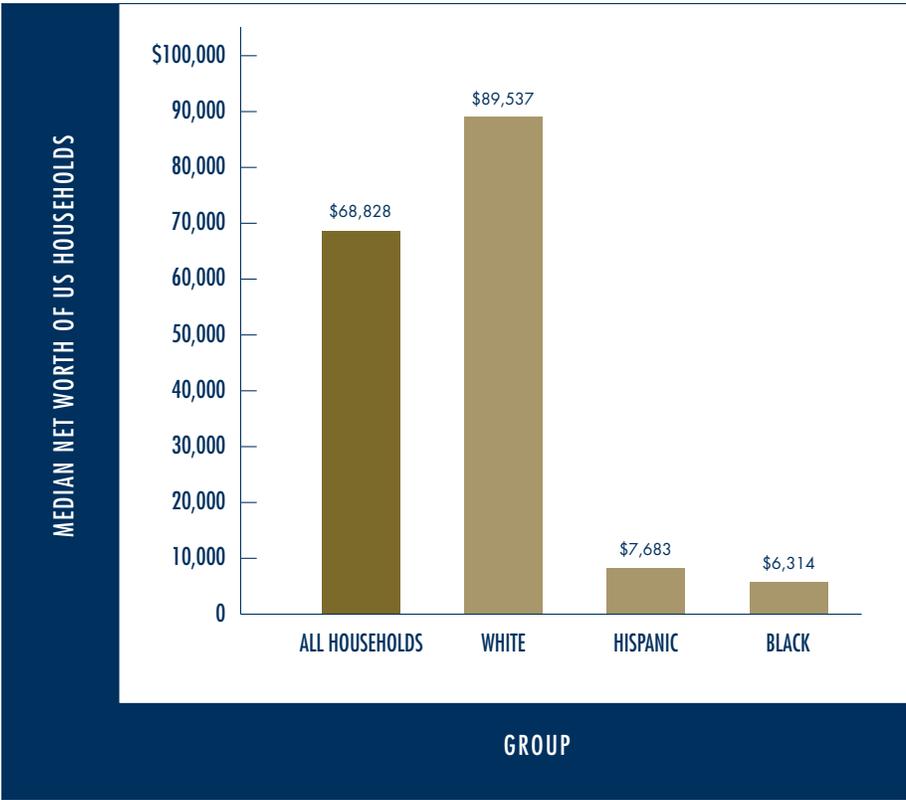
By comparison, in 2011 the median net worth (the value of assets minus debts) was only \$7,700 for Hispanic households and \$6,300 for Black households in the United States (Figure 1). One space in a parking structure therefore costs at least three times the net worth of more than half of all Hispanic and Black households in the country. Nevertheless, cities require several parking spaces per household by requiring them at home, work, stores, restaurants, churches, schools, and everywhere else.

Many families have a negative net worth because their debts exceed their assets: 18 percent of all households, 29 percent of Hispanic households, and 34 percent of Black households had zero or negative net worth in 2011 (Figure 2). The only way these indebted people can use the required parking spaces is to buy a car, which they often must finance at a high, subprime interest rate. In a misguided attempt to provide free parking for everyone, cities have created a serious economic injustice by forcing developers to build parking spaces that many people can ill afford.

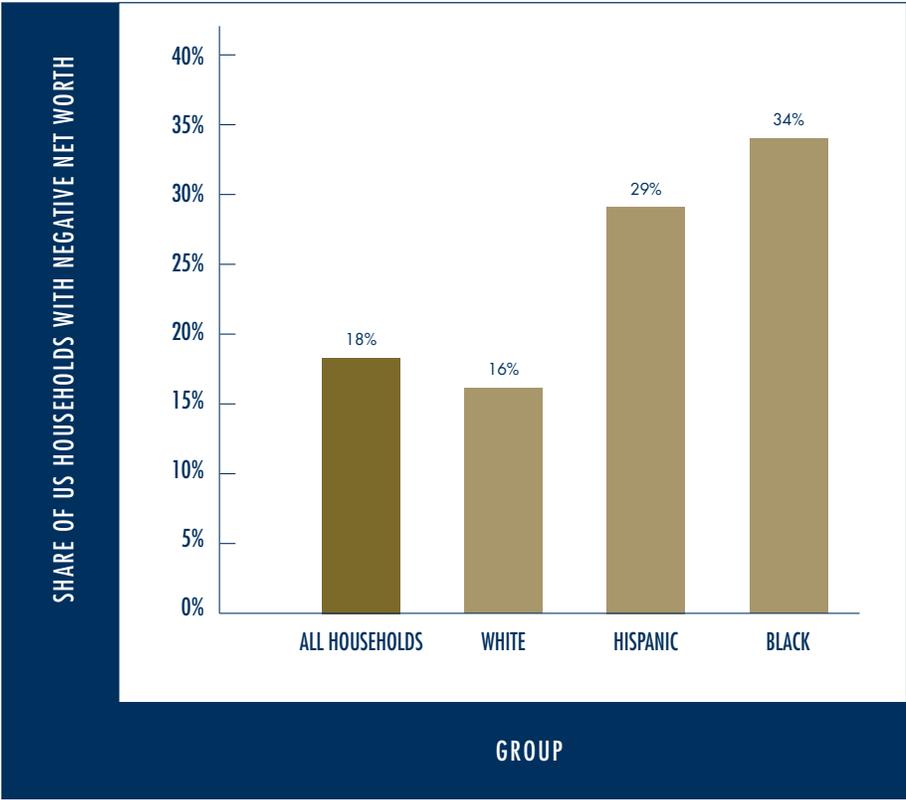
Urban planners cannot do much to counter the inequality of wealth in the US, but they can help to reform parking requirements that place heavy burdens on minorities and the poor. Simple parking reforms may be city planners' cheapest, fastest, and easiest way to achieve a more just society. >

**TABLE 1**  
The Construction Cost of a Parking Space

CITY	CONSTRUCTION COST PER SQUARE FOOT		CONSTRUCTION COST PER PARKING SPACE	
	UNDERGROUND \$/SQ FT (1)	ABOVEGROUND \$/SQ FT (2)	UNDERGROUND \$/SPACE (3) = (1) x 330	ABOVEGROUND \$/SPACE (4) = (2) x 330
Boston	\$95	\$75	\$31,000	\$25,000
Chicago	\$110	\$88	\$36,000	\$29,000
Denver	\$78	\$55	\$26,000	\$18,000
Honolulu	\$145	\$75	\$48,000	\$25,000
Las Vegas	\$105	\$68	\$35,000	\$22,000
Los Angeles	\$108	\$83	\$35,000	\$27,000
New York	\$105	\$85	\$35,000	\$28,000
Phoenix	\$80	\$53	\$26,000	\$17,000
Portland	\$105	\$78	\$35,000	\$26,000
San Francisco	\$115	\$88	\$38,000	\$29,000
Seattle	\$105	\$75	\$35,000	\$25,000
Washington, DC	\$88	\$68	\$29,000	\$22,000
<b>Average</b>	<b>\$103</b>	<b>\$74</b>	<b>\$34,000</b>	<b>\$24,000</b>



**FIGURE 1**  
 Median Net Worth of  
 US Households, 2011



**FIGURE 2**  
 Share of US Households  
 with Zero or Negative  
 Net Worth, 2011



### PUTTING A CAP ON PARKING REQUIREMENTS

Off-street parking requirements increase the cost and reduce the supply of affordable housing. Most cities do not intend to exclude low-income residents when they require off-street parking, but even good intentions can produce bad results. Thoughtless planning for parking can be as harmful as a perverse and deliberate scheme.

Perhaps because of growing doubts about parking requirements, a few cities have begun to reduce or remove them, at least in their downtowns. Planners and elected officials are beginning to recognize that parking requirements increase the cost of housing, prevent infill development on small lots where it is difficult to build all the required parking, and prohibit new uses for older buildings that lack the required parking spaces.

According to recent newspaper articles, some of the reasons cities have reduced or removed their parking requirements include “to promote the creation of downtown apartments” (Greenfield, Massachusetts), “to see more affordable housing” (Miami), “to meet the needs of smaller businesses” (Muskegon, Michigan), “to give business owners more flexibility while creating a vibrant downtown” (Sandpoint, Idaho), and “to prevent ugly, auto-oriented townhouses” (Seattle).

Given this policy momentum, I thought the time to reform parking requirements in California had arrived when the legislature considered Assembly Bill 904 (the Sustainable Minimum Parking Requirements Act of 2012). AB 904 would have set an upper limit on how much parking cities can require in transit-rich districts: no more than one space per dwelling unit or two spaces per 1,000 square feet of commercial space. The bill defined these districts as areas within a quarter mile of transit lines that run every 15 minutes or better. If passed it would have been a huge boon for both housing and transit.

There are good reasons to adopt this policy. Federal and state governments give cities billions of dollars every year to build and operate mass transit systems, yet most cities require ample parking everywhere on the assumption that nearly everyone will drive for almost every trip. Minimum parking requirements counteract all these transit investments.

For example, Los Angeles is building its Subway to the Sea under Wilshire Boulevard, which already boasts the city's most frequent bus service. Nevertheless, along parts of Wilshire the city requires at least 2.5 parking spaces for each dwelling unit, regardless of the number of rooms. Similarly, 20 public transit lines serve the UCLA campus near Wilshire Boulevard in Westwood, with 119 buses per hour arriving during the morning peak. Nevertheless, across the street from campus, Los Angeles requires 3.5 parking spaces for every apartment that contains more than four rooms. We have expensive housing for people but we want free parking for cars.

Also on Wilshire Boulevard, Beverly Hills requires 22 parking spaces per 1,000 square feet for restaurants, which means the parking lot is seven times larger than the restaurant it serves. Public transit in this over-parked environment resembles a rowboat in the desert.

Cities seem willing to pay any price and bear any burden to assure the survival of free parking. But do people really want free parking more than affordable housing, clean air, walkable neighborhoods, good urban design, and many other public goals? A city where everyone happily pays for everyone else's free parking is a fool's paradise.

**WHY CAP PARKING REQUIREMENTS?**

Minimum parking requirements create an asphalt wasteland that blights the environment. A powerful force field of free parking encourages everyone to drive everywhere. A cap on parking requirements in transit-rich neighborhoods can reduce this parking blight by making parking-light development feasible.

How will reducing off-street parking requirements affect development? Zhan Guo and Shuai Ren at New York University studied the results when London shifted from minimum parking requirements with no maximum, to maximum parking limits with no minimum. Comparing developments completed before and after the reform in 2004, they found that the parking supplied after the reform was only 52 percent of the previous minimum required and only 68 percent of the new maximum allowed. This result implies that the previous minimum was almost *double* the number of parking spaces that developers would have voluntarily provided. Guo and Ren concluded that removing the parking minimum caused 98 percent of the reduction in parking spaces, while imposing the maximum caused only 2 percent of the resulting reduction. Removing the minimum had a far greater effect than imposing a maximum.

Cities usually require or restrict parking without considering the middle ground of neither a minimum nor a maximum. This behavior recalls a Soviet maxim: "What is not required must be prohibited." AB 904, however, was something new. It would not have restricted parking but instead would have imposed a cap on minimum parking requirements, a far milder reform. A cap on how much parking cities can require will not limit the parking supply because developers can always provide more parking than the zoning requires if they think market demand justifies the cost.

There are precedents for placing limits on parking requirements. Oregon's Transportation Systems Plan requires local governments to amend their land-use and subdivision regulations to achieve a 10 percent reduction in the number of parking spaces per capita. The United Kingdom's transport policy guidelines for local planning specify that "plans should state maximum levels of parking for broad classes of development ... There should be no minimum standards for development, other than parking for disabled people." >

A city where everyone happily pays for everyone else's free parking is a fool's paradise.

#### FAILURE AND THEN SUCCESS IN THE LEGISLATURE

To my dismay, the California Chapter of the American Planning Association (APA) lobbied against AB 904, arguing that it “would restrict local agencies’ ability to require parking in excess of statewide ratios for transit intensive areas unless the local agency makes certain findings and adopts an ordinance to opt out of the requirement.”

City planners must, of course, take direction from elected officials, but the APA represents the planning profession, not cities. AB 904 gave the planning profession an opportunity to support a reform that would coordinate parking requirements with public transportation, but instead the California APA insisted that cities should retain full control over parking requirements, despite their poor stewardship.

AB 904 failed to pass in 2012 but was resurrected in a weaker form as AB 744 and was successful in 2015. AB 744 addresses the parking requirements for low-income housing within half a mile of a major transit stop. If a development is entirely composed of low-income rental housing units, California now caps the parking requirement at 0.5 spaces *per dwelling unit*. It also caps the parking requirement for a development that includes at least 20 percent low-income or 10 percent very low-income housing at 0.5 spaces *per bedroom*. Developers can of course provide more parking if they want to, but cities cannot require more parking unless they conduct a study that demonstrates a need.

Affordable housing advocates initially opposed AB 744 because it would have capped the parking requirements for *all* housing in transit-rich areas. Another California law (SB 1818) already reduces the parking requirements for developments that include some affordable units.

Like the  
automobile  
itself, parking  
is a good  
servant but a  
bad master.



Reducing the parking requirements for all housing would therefore dilute the existing incentive to include affordable units in market-rate developments. Confining AB 744's parking reduction to affordable housing was therefore necessary to gain political support from the affordable housing advocates, even though a cap on parking requirements for *all* housing would increase the supply and reduce the price of housing without any subsidy.

Statewide caps on parking requirements may be difficult to impose in the face of the demand for local control in all land use decisions. Nevertheless, the California experience shows that a statewide cap can be feasible if it is linked to affordable housing. This link attracted political support from affordable housing advocates who know that parking requirements are a severe burden on housing development, and that reducing the parking requirements for affordable housing will increase its supply.

Without the support from affordable housing advocates, California's cap on parking requirements near transit would probably not have been enacted. Until more people recognize that parking requirements cause widespread damage, one way to increase political support for a cap on parking requirements is to use it as an incentive for building affordable housing. This approach, however, may then lead affordable housing advocates to oppose any general reduction in parking requirements even if it will make all housing more affordable.

### **AN ARRANGED MARRIAGE**

Many believe that Americans freely chose their love affair with the car, but it was an arranged marriage. By recommending parking requirements in zoning ordinances, the planning profession was both a matchmaker and a leading member of the wedding party. But no one provided a good prenuptial agreement. Planners should now become marriage counselors or divorce lawyers where the relationship between people and cars no longer works well.

Like the automobile itself, parking is a good servant but a bad master. Parking should be friendly—easy to find, easy to use, and easy to pay for—but cities should not require or subsidize parking. Cities will look and work much better when markets rather than planners and politicians govern decisions about the number of parking spaces. Putting a cap on parking requirements is a good place to start. ♦

### **FURTHER READING**

California Assembly Bill 744. 2015. "AB-744 Planning and Zoning: Density Bonuses."

Zhan Guo and Shuai Ren. 2013. "From Minimum to Maximum: Impact of the London Parking Reform on Residential Parking Supply from 2004 to 2010," *Urban Studies* 50(6): 1183–1200.

Letters about AB 904 from mayors, planning academics, planning practitioners, and the California Chapter of APA are available here: <http://shoup.bol.ucla.edu/LettersAboutAssemblyBill904.pdf>

Donald Shoup. 2015. "Putting a Cap on Parking Requirements," *Planning*, May: 28–30.

Donald Shoup. 2014. "The High Cost of Minimum Parking Requirements," in Stephen Ison and Corinne Mulley (Eds.), *Parking: Issues and Policies*, Emerald Group Publishing: 87–113.

Donald Shoup. 2013. "On-Street Parking Management v. Off-Street Parking Requirements," *ACCESS*, 42: 38–40.

Donald Shoup. 2011. *The High Cost of Free Parking*. Chicago: Planners Press.





**CITY OF HEALDSBURG  
COMMUNITY HOUSING COMMITTEE  
STAFF REPORT**

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**AGENDA ITEM:** Update on Council Actions from June 20th City Council Meeting

**MEETING DATE:** June 27, 2016

**PREPARED BY:** Karen Massey, Community Housing and Development Director

**REQUESTED ACTION:** Receive the Update

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At the June 20, 2016 City Council meeting, the Council received an update on the draft Housing Action Plan and provided direction to Staff on the proposed revisions to the Inclusionary Housing Ordinance, the proposed 2% increase to the Transient Occupancy Tax, and the proposed City Council Growth Management Regulation Tool, as follows:

- Inclusionary Housing Ordinance: Direction was given to proceed with the revisions to the Inclusionary Housing Ordinance and to take the draft Ordinance to the Planning Commission for formal recommendation to the City Council. The recommendations were accepted as proposed with the exception that Council requested more information on the recommended Housing Impact Fee to be assessed on new rental units. Staff will report back to Council and proceed as directed.
- Transient Occupancy Tax: Council approved placing a 2% increase to the Transient Occupancy Tax (TOT) on the ballot in November as a special tax to be dedicated to funding for affordable housing programs and services. Placement as a special tax will require 2/3 voter approval. The powerpoint presentation provided to Council is attached.
- City Council Growth Management Regulation Tool: Council generally supported the proposal put forth by Staff and EPS, directed Staff to proceed with drafting the Ordinance and advancing it to the Planning Commission, and in doing so asked Staff to clarify the allocation procedures as well as the status of projects currently in process. The memo provided to Council outlining the proposed tool is attached.

A full update on the actions taken by Council will be provided at the meeting.



# TRANSIENT OCCUPANCY TAX

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City Council Meeting

June 20, 2016

# Recommended Action

- Adopt a resolution placing a measure on the November 8, 2016 ballot adjusting the City's existing Transient Occupancy Tax ("TOT") by 2% for affordable housing

# Background

- May 16, 2016 City Council directed staff to come back with options for a ballot measure to increase the City's existing Transient Occupancy Tax
- In November 2002, a public vote allocated the existing 10% TOT for Community Services
- In November 2004, a public vote approved an additional 2% TOT increase to be allocated to the General Fund upon reauthorization by the City Council every other year
- An additional 2% increase would bring the City of Healdsburg's TOT rate to the highest in the County

# Proposed Measure

- The additional 2% would appear on the ballot as a special tax requiring a 66.7% affirmative vote
- The funds would be allocated to affordable housing programs and services as defined in the City's Land Use Code, as amended from time to time. (Currently funds could be used for housing projects from 0 – 120% AMI)
- As part of the Housing Action Plan, the CHC and staff are proposing expanding the AMI level to up to 160% of AMI - currently the Land Use Code recognizes 0 to 120% AMI

# Ballot Language

- “To increase, improve and preserve the City’s affordable housing stock, shall the City of Healdsburg be authorized to levy an ongoing 2% transient occupancy tax (or “hotel” tax) on persons who occupy hotel rooms for 30 days or less, increasing the maximum hotel tax rate from 12% to 14%, and providing an estimated \$530,123 annually, with all funds of the additional tax restricted to affordable housing services and programs?”

# Alternative Options

- The ballot measure could appear as a general tax requiring 50% + 1 affirmative vote
- The City could use the funds for affordable housing programs and for other housing-related programs, such as rent stabilization
- A general tax would allow for the 2% tax to be used on other programs and services

# Fiscal Impact

- Currently the City has \$3.15 Million set aside for affordable housing
  - \$1million – Saggio Hills
  - \$1.525 million – Redevelopment Bond Proceeds
  - \$364,225 – Inclusionary Housing
  - \$270,623 – Housing Successor Agency
- An additional increase to the TOT is estimated to generate:
  - \$530,123 - FY 2016-17
  - \$546,012 - FY 2017-18
  - As new hotels come on line, TOT revenues are expected to increase

# Recommended Actions

- Adopt a resolution placing a measure on the November 8, 2016 ballot adjusting the City's existing Transient Occupancy Tax ("TOT") by 2% for affordable housing

Questions?

## **MEMORANDUM**

To: Barbara Nelson  
From: Walter Kieser  
Subject: Growth Management Ordinance Revisions  
Date: June 15, 2016

*The Economics of Land Use*



Over the past two years the City of Healdsburg has been engaged in a technical, policy analysis and program development, and public outreach effort to address the critical shortage of housing in the City, especially housing for the local workforce which includes “affordable housing” (affordable to households with annual incomes less than 120 percent of AMI) and “middle income housing” (housing affordable to households earning from 121 percent up to 160 percent of AMI). As a part of this effort the City commissioned an independent public opinion survey to obtain feedback on possible housing policy solutions. Many residents expressed a strong desire to modify the current Growth Management Ordinance (adopted by Healdsburg’s voters as Measure M in the year 2000 that placed a 30 unit per year cap on new housing construction) and to create more housing affordable to working families to meet local housing needs.

This Memorandum outlines a new housing growth regulation framework for the City, a framework that maintains an overall growth cap and other features necessary to prevent excessive housing development and at the same time accommodates pending housing development applications and promotes the wise and efficient use of the City’s remaining (and limited) sites available for new housing development. Following review and refinement of the outlined terms, the City can go forward with drafting of a new Ordinance.

### **Intent and Objectives**

Consistent with the intent of Measure M (2000) and the Policies and Procedures for the Healdsburg Residential Growth Management Program (2008) it is the City’s intention to manage the amount and pace of growth in the City. At the same time, it is the City’s intention to address

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the City's housing shortage by addressing the housing needs of the local workforce by:

- Adopting policies and programs that encourage and incentivize construction of desired affordable and middle income housing.
- Promoting efficient use of the City's remaining residential development sites.
- Preserving the integrity of existing residential neighborhoods.
- Encouraging the development of alternative product types that represent creative density housing types including multi-family, small lot, and cottage courts.
- Encouraging appropriately scaled multi-family, rental units with units averaging less than 850 square feet.

## **Applicable Development**

*The provisions of this Ordinance shall apply to new "market rate" residential unit development in the City of Healdsburg for which a building permit is to be issued on or after January 1, 2017, subject to voter approval of the Growth Management Ordinance amendment in November.*

Market rate residential development includes all non-price restricted housing development built following the effective date of the Ordinance. It would include all for sale housing, rental housing, and any market rate housing units that may be offered as a "density bonus" for mixed income housing projects.

## **Exemptions**

*The provisions of this Ordinance shall not apply to affordable housing units (deed restricted for families earning 0-120% area median income), including the new category of middle income housing units (deed restricted for families earning from 121% up to 160% area median income), secondary or accessory dwelling units, replacement or reconstruction of existing residences, homeless shelters, elderly care facilities, nursing homes, sanitariums, community care, or health care facilities.*

*The provisions of this Ordinance shall not apply to any residential development project that is subject to a Development Agreement adopted prior to the effective date of this Ordinance.*

This Ordinance expands the exemptions contained in the existing Growth Management Ordinance to include "middle income" housing, defined as housing affordable to households up to 160 percent of AMI. It also "grandfathers" housing units allocated through previously adopted Development Agreements.

## **General Provisions**

*New Market Rate Housing building permits shall be limited to four hundred-twenty (420) units during the remaining six years of the current General Plan Housing Element Cycle, based on an average of seventy (70) units per year, beginning January 1, 2017.*

*The numerical limit on New Market Rate Housing shall be periodically reset (re-established) as part of adoption of each subsequent Housing Element Update (typically required every eight years by the State of California).*

*No building permit for a New Market Rate Housing unit shall be issued by the Building Official unless the Planning & Building Director has granted a dwelling allocation pursuant to the provisions of this Ordinance or Policies and Procedures as may be subsequently adopted, or has determined that the proposed housing unit is exempt, as defined in this Ordinance.*

*A developer of Affordable Housing including the new category of Middle Income Housing exempted from this Ordinance, and pursuant to the City's Inclusionary Housing Ordinance, shall be required to enter into a regulatory agreement with the City to require the housing remain affordable for a time period of at least 45 years after initial occupancy (consistent with the planned revisions to the Inclusionary Housing Ordinance).*

*These Policies and Procedures shall remain in effect unless duly amended by the City Council.*

These General Provisions establish the new market rate housing growth cap for the remainder of the current Housing Element Cycle of 420 units (an average of 70 units per year). They also specify that any exempted affordable housing including the new category of middle income housing units shall be subject to a 45 year period of sales price control (an increase from the ten years specified in the City's existing Policies and Procedures).

## **Allocation Procedures**

*The Planning & Building Director shall issue New Market Rate Housing Unit allocations in accordance with the General Provisions and the specific allocation procedures described below:*

*Single Family Housing Unit Allocations. During the Initial Housing Element Cycle, one hundred and eighty (180) Housing Unit Allocations shall be reserved for single family housing units. They shall be issued on a first-come, first-served basis at the time a building permit is issued for each individual project. A Single Family Housing Unit allocation is valid until the associated building permit expires.*

*Multifamily Housing Unit Allocations. During the Initial Housing Element Cycle, two hundred forty (240) Housing Unit Allocations shall be reserved for multifamily housing units. Once a Multifamily Housing Unit project has obtained final discretionary approval, available allocations will be issued for the project on a first-come, first-served basis by the Planning & Building Director. These allocations are valid for up to four calendar years or until the discretionary approval expires, whichever comes first. The four-year period shall commence on January 1<sup>st</sup> of the year the allocation is issued, regardless of when during the year it is issued.*

*Waitlist Allocations. If the Planning & Building Director determines that the granting of a requested Housing Unit Allocation would exceed the remaining allocations in the current Housing Element Cycle, the Director may grant a Waitlist Allocation. Those projects denied Allocations in a given Housing Element Cycle shall be placed, upon their request, on a waiting list and have priority for issuance of allocations in the following Housing Element Cycle in the order of the earliest date of denial of the full allocation.*

Lapsed Allocations. All Lapsed Housing Unit Allocations accumulated during a Housing Element Cycle shall return to the remaining unallocated pool of Housing Unit Allocations and carry over for use in subsequent years. The Planning & Building Director shall have the discretion to reassign these lapsed Housing Unit Allocations to pending housing development applications, subject to the provisions of the Ordinance.

These allocation procedures are intended to accommodate pending applications for housing development in the City and provide an incentive for construction of additional multifamily housing projects in the City. Given the parallel effort to adopt a new (or amended) Inclusionary Housing Ordinance it is expected that such market rate multifamily projects would generally be "mixed income", i.e., include both market rate, affordable, and middle income housing units.

## FINANCING THE HAP

The HAP is the result of over 24 months of **community discussion, evaluation**, testing and refinement of ideas into five key housing Objectives. The primary purpose of the HAP is to create a strategic plan **that** sets the course and character of housing in our community, focusing on two primary themes - increasing the **Diversity** and **Affordability** of housing in Healdsburg. Achieving these two outcomes, through the five Objectives of the HAP, will require a range of funding sources, creatively organized and efficiently deployed and fall into two primary approaches:

**Private Contributions:** Under this approach, privately financed residential projects are shaped through clearly stated City policies and objectives that reflect the values of the community. This can be as simple as helping provide impact fee relief for homeowners who are privately financing and building a secondary dwelling unit (HAP Objective 4), to a more complicated solution that provides incentives to builders who bring forward a small housing project that mixes product types and income levels (HAP Objective 5).

This approach *requires little to no public subsidy or investment*, instead relying on constructive partnerships with residents and builders, working together to achieve what the community has said they want. This is a model that is used successfully in many communities around the country, and simply requires clarity of goals, committed leadership and staff who communicate our values to builders, and then rigorous oversight to ensure what is promised is delivered.

**Public Contributions:** Under this approach, the City provides public investment and leadership in the actual construction of Affordable Housing – in partnership with a third party builder. This requires direct financial and human resources from the City to achieve the outcome, and can come in the form of land (as in the proposed Affordable Housing project at 1201 Grove Street), direct subsidy of dollars (such as the Affordable Housing units at Foss Creek Apartments), or other means. The direct subsidy is crucial to close the gap between the cost of construction and what can be financed with Federal and State funds as well as conventional financing<sup>1</sup>.

**These approaches are NOT mutually exclusive, and in fact achieving the Objectives of this HAP will require an energetic and active effort that embraces both approaches concurrently.** To rely on public or private contributions alone will diminish our ability to achieve the HAP

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<sup>1</sup> Local subsidies can range from \$50,000-\$200,000 per affordable unit, depending on housing type and the number of units to be constructed (with a larger number of units being more cost efficient to build).

Objectives, requiring either an unachievable level of public subsidy or an over reliance on the private sector.

## **IMPLEMENTING THE PLAN**

Private contributions will be encouraged by many of the Recommendations in the HAP including PR-3 (Expand Affordable Housing Incentives), PR-4 (Update the Impact Fee Schedule), PR-7 (Update the City's Parking Regulation) and PR-8 (Update the City's Design Guidelines). These are all important to the HAP Objectives, because they remove barriers that increase the cost of developing the type of housing the community has said it wants to see (as in the case of PR-4, PR-7 and PR-8) or they incentivize builders to meet our desired housing outcomes by rewarding projects that demonstrate consistency with the HAP's Objectives (as in the case of PR-3).

Public contributions are more challenging in an era of diminishing public funding, particularly in light of the recent loss of the Redevelopment Agency. HAP Priority Recommendation 5 (Create a Long Term Funding Source for Affordable Housing) is a direct response to this challenge and is essential to fulfilling many of the HAP Objectives to expand our supply of Affordable Housing including construction, programs and services. Having a substantial and ready source of local funds is critical to leveraging Federal and State dollars needed to finance Affordable Housing. At the start of the current Housing Cycle, the City has approximately \$3.1 million (see sidebar) available to support Affordable Housing programs and services.

Recognizing that without a reliable and long-term funding source the City's ability to meet the HAP Objectives will be hampered, on June 20, 2016 the City Council took action to place an initiative on the November, 2016 ballot to increase the City's existing Transient Occupancy Tax (TOT) by 2% as a special tax dedicated to the provision of Affordable Housing construction, programs and services. Should the voters approve this initiative in November, the funds would be allocated to Affordable Housing programs and services such as land acquisition, land donation, building acquisition, building rehabilitation, housing construction, maintaining the community's supply of mobile homes, providing housing subsidies to lower income residents, providing financing for Affordable Housing, preserving existing public subsidies for affordable units facing conversion to market rates, providing emergency homeless shelters, transitional housing services and similar programs.

A two (2) percent increase to the TOT is estimated to generate \$530,123 in revenue for fiscal year 2016-17 and \$546,012 in revenue for fiscal year 2017-18 for Affordable Housing programs and services. These estimates are conservative in nature as they do not account for hotels that are currently in process and anticipated to come on-line in upcoming years.

Once the proposed amendment to the Land Use Code to expand the definition of Affordable Housing is adopted (HAP Priority Recommendation 1) the programs and funding described above would be available to all qualified families in the City earning up to 160% of AMI.

### FUNDING ACHIEVEMENT OF OUR OBJECTIVES

The following Table provides an overview of how each of the HAP's five Objectives may be achieved using these two approaches.

Objective	Private Contributions	Public Contributions
<i>Objective 1.0 Increase the Quantity and Quality of Deed-Restricted Affordable Housing</i>	<i>Increase the Inclusionary Housing Requirement to require construction of new Affordable Housing units in conjunction with Market Rate units (PR-2, PR-3)</i>	<i>2% TOT increase to create a long term funding source; Inclusionary Housing Fees (PR-2, PR-5)</i>
<i>Objective 2.0 Encourage and Facilitate Private Development of SDUs</i>	<i>Provide relief in Impact Fees for SDU, create homeowner education series on how to fund and build SDU (PR-4, SR-2.3)</i>	<i>Provide fee offset to SDUs that deed restrict rental rates (SR-2.3)</i>
<i>Objective 3.0 Develop Middle Income Housing Across a Range of Product Types</i>	<i>Making middle income housing part of the IHO requirement, providing incentives for projects that provide mixed products and incomes (PR-1, SR-5.1)</i>	<i>Provide incentives for projects that exceed minimum requirements (SR-1.5)</i>
<i>Objective 4.0 Encourage Appropriately Scaled Multi-Family Rental Units</i>	<i>Direct allocations to multi-family rental units (PR-6)</i>	<i>Provide incentives for projects that exceed minimum requirements (SR-1.5)</i>
<i>Objective 5.0 Encourage Development of Mixed Product Types that Represent Creative Density</i>	<i>Direct allocations to multi-family rental units, provide incentives for projects that provide mixed products and incomes (PR-6, SR-5.1)</i>	<i>Provide incentives for projects that exceed minimum requirements (SR-1.5)</i>

**APPENDIX: AMENDING THE HAP**

The HAP has evolved from discussions over the past 24 months seeking the community’s ideas and input on how best to address our housing challenges. Through this outreach process, as well as an independent public opinion survey commissioned by the City to obtain feedback on possible housing policy solutions, many residents have expressed a strong desire to modify the current Growth Management Ordinance and create more housing affordable to working families. Recognizing the need to be able to adapt to the changing needs and conditions of the housing market, the HAP was constructed around a Housing Cycle that provides a logical and foreseeable window of time in which to organize, direct and then measure the results of the proposed housing Recommendations. This approach, combined with the proposed revisions to the Growth Management Ordinance, allows the community to move management of housing growth away from growth controls that limit or ration development, to a more **‘adaptive management’ approach where growth management accommodates projected development in a manner that achieves broad public goals.**<sup>1</sup>

The management, measurement, review and refinement of the HAP requires a process that is logical and intentional, with a long term view. Before the assessment process can begin it will be important to allow enough time for the HAP’s Recommendations to be implemented and achieve the momentum necessary to shift the current trajectory of our housing market. In the initial years of the HAP implementation, the discussion and review of the HAP’s effectiveness should focus on how the Recommendations are working and what is being learned (a more qualitative discussion) rather than simply assessing how closely the Targets are being achieved. As the first Housing Cycle comes to a close, attainment of the established Targets will be a primary focus, along with a broader review of the Community Indicators.

It is important to keep in mind much of the content of the HAP is dependent upon the successful passage of the Growth Management Ordinance Amendment initiative to be considered by voters in November 2016. If the initiative passes, the HAP is enabled and the City will proceed with implementing the Recommendations of the adopted HAP. If the initiative does not pass, only a limited number of Recommendations can proceed and the City Council will need to provide direction to Staff as to how to proceed given the limitations imposed by the existing GMO.

The following timeline outlines the procedure Staff will follow to assess implementation of the HAP.

	HAP APPROVAL		HOUSING CYCLE							
	2016		2017	2018		2020		2021		2022
	July	November	January	October	November	October	November	October	November	January - December
Council HAP Adoption	✓									
Public Vote on GMO Amendment & TOT Increase		✓								
Begin HAP Implementation			✓							
Prepare HAP Progress Summary for Presentation to CHC				✓						
Present Summary to CHC & Receive Comments					✓					
Present Summary & CHC Comments to CC					✓					
Prepare HAP First Report Card for Presentation to CHC						✓				
Present First Report Card to CHC & Receive Comments							✓			
Present First Report Card & CHC Recommendations to CC							✓			
Prepare HAP Second Report Card for Presentation to CHC								✓		
Present Second Report Card to CHC & Receive Comments									✓	
Present Second Report Card & CHC Recommendations to CC									✓	
Initiate Housing Element Update & Housing Action Plan 2023-2031 Preparation										✓

<sup>1</sup> Brookings Institute, The Link Between Growth Management and Housing Affordability

The Progress Summary will include a review of progress to date on achieving the Objectives and Targets of the HAP including what has been learned and what is working well. A summary of progress on each Objective is to be provided including information on the response of non-profit and for-profit builders to the Objectives – including the challenges or opportunities they have encountered – as appropriate. A summary table of projects in the pipeline and how they align with stated Targets may also be provided.

The HAP Report Card will provide a quantitative and qualitative assessment of progress on the HAP – its Objectives and Targets. Where clear patterns are emerging – either positive or negative - Staff will make recommendations or request recommendations from the CHC on how the HAP might be modified to help attain stated Objectives by the end of the Housing Cycle.

The HAP Report Card will be issued consistent with the following proposed format:

Objective	Units in discussion	Units approved but not built	Units constructed / receiving C of O	2022 Target	Variance
1.0 –Affordable Housing Units				200	
2.0 - SDUs				125	
3.0 – Middle Income Housing Units				135	
4.0 – Multi-Family Rental Units				100	
5.0 – Mixed Density Units				210	

<sup>1</sup> Brookings Institute, [The Link Between Growth Management and Housing Affordability](#)